Forestry Innovation Investment Ltd.

SERVICE PLAN

2005/06 – 2007/08

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Message from the Chair of the Board of Directors

The 2005/06 – 2007/08 Service Plan for Forestry Innovation Investment Ltd. (FII) sets out the corporation's goals and objectives, the strategies it will use to attain them, and performance measures and targets for the next three years.

In its first two years as a Crown corporation, FII has shown the importance of a strategic approach to international marketing and product development at a time when the market for forest products is becoming increasingly complex and competitive. Today, B.C. exports more forest products than any other jurisdiction and buyers are confident our products offer the best quality for their customers and for the environment. But it is no longer good enough to have the best products and the best practices. We can maintain our market share only by constantly striving for innovative and dynamic ways to reach out to existing customers and finding new ones. Our sector partners have shown they appreciate this reality, and know FII can open up opportunities that are not accessible to individual associations or companies.

FII's strength is its ability to build a strong and inclusive brand image for B.C.'s forest products, and to represent government in activities that help to open up new markets. There are many recent examples. The BC Market Outreach Network, in partnership with the Forest Products Association of Canada, commissioned an independent study by a Yale University professor that showed B.C.'s forest policies are among the most stringent in the world. The International Marketing Program created a high-impact pavilion that has strengthened B.C.'s presence at key international trade shows. The Product Development Program is working to ensure that building codes and other regulations in emerging markets accept B.C. wood and is finding new uses and markets for timber affected by the mountain pine beetle.

In Shanghai, construction of FII's Dream Home China demonstration centre is substantially complete, and the Minister of Forests will participate in the Grand Opening of the Centre in January 2005. Thereafter, FII will begin delivering a marketing strategy in conjunction with industry associations and other partners. During 2005/06, it will complete two villas that will show Chinese customers and builders the quality and functionality of B.C. wood.

As it enters its third year, FII will continue to work with all sector partners to ensure international buyers recognize B.C. products are the best choice for quality and for the environment. It also aims to improve its effectiveness as an organization and maintain its high level of accountability and transparency.

The 2005/06 – 2007/08 Forestry Innovation Investment Ltd. Service Plan was prepared under my direction in accordance with the *Budget Transparency and Accountability Act*. I am accountable for the contents of the plan, including the selection of performance measures and targets. The plan is consistent with government's strategic priorities and overall Strategic Plan. All significant assumptions, policy decisions, and identified risks, as of January 18, 2005, have been considered in preparing the plan. I am accountable for ensuring that Forestry Innovation Investment Ltd. achieves its specific objectives identified in the plan and for measuring and reporting actual performance.

Doug Konkin, Chair
Forestry Innovation Investment Ltd.

Forestry Innovation Investment Ltd.

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A. CORPORATE OVERVIEW

Forestry Innovation Investment Ltd. (FII) was created in 2003 to promote British Columbia's world-leading forest products and forest management to the global marketplace and to increase the value of the province's forest asset. Its product development and marketing activities strengthen demand for B.C. wood products and ensure customers have factual, timely information about B.C.'s sustainable forest management practices. This helps improve industry competitiveness and increase provincial revenues, while creating or maintaining jobs across the province. By acting on behalf of the Government of British Columbia and other provincial interests, FII is well positioned to lead activities to remove international market barriers and promote B.C. as the best source of high-quality forest products, with a superior level of environmentally sound forest practices.

Core Business Areas and Services

FII programs and services are aligned to its four core business areas – international marketing, product development, market communications and corporate services, although several activities are conducted across all program areas. All of the programs are funded through an annual appropriation of the legislature.

International marketing increases demand for B.C. wood as a preferred choice of international buyers and their customers by:

- identifying and removing market access barriers and improving customer and consumer understanding and support for B.C. wood products in existing and emerging markets;
- leading market research to identify opportunities and provide a sound foundation for the ongoing development of market strategies and to support FII and industry investment decisions;
- producing and distributing high-quality marketing materials, and providing customers with access to product information in a variety of languages through www.bcforestproducts.com; and
- co-ordinating tradeshow strategies and the delivery of in-market programs.

Product development supports forest industry associations and research agencies to develop and implement new technologies, processes, products and systems that enhance the competitiveness of the sector through continued innovation and improvements. This includes technology transfer, which helps to introduce new technologies to the workplace.

Market communications provides international buyers and others with neutral, credible facts so they can assure customers that B.C. wood products come from well-managed forests. Delivered through the BC Market Outreach Network (Network), it embraces four principal services:

- Its market research gathers information about both customers' environmental concerns and current academic research, which is used to support activities.
- Its information materials, including fact sheets and an up-to-date website www.bcforestinformation.com, respond to market issues and changes in forest policy.
- Its strong presence at major international trade shows ensures that customers and potential customers have access to information on B.C.'s forest practices and environmental performance, which can have considerable influence on purchasing decisions.
- Its ongoing market monitoring identifies emerging issues so it can maintain a leading, proactive stance in market communications, and prepare relevant intervention material as necessary.

Corporate Services includes responsibility for the financial management and control of the corporation, information systems, human resources and performance management. Corporate services focus on internal management and employees, as well as serving the board of directors, government and partners by ensuring a high level of performance, accountability and adherence to government policies.

Investment Aims

FII works closely with B.C. forest companies, industry associations, the provincial and federal governments, embassies and consulates, international trade associations, resources communities, and other key stakeholders. Its services and products increase demand for B.C. wood products and the value of B.C.'s forest asset by:

- diversifying and strengthening the customer base for B.C. forest products;
- raising the profile of B.C. as a world leader in sustainable forest management and a producer of high-quality wood products;
- providing international and domestic customers with credible information about B.C. wood products, forest practices and environmental performance to help them make their purchasing decisions;
- improving market access for B.C. wood products,
- assisting industry associations and other partners so they can act strategically, efficiently, and in a co-ordinated fashion to address broader issues, and
- sparking innovation to ensure B.C.'s forest products industry is always identifying and developing higher levels of efficiency and product quality.

Service delivery

FII is guided by comprehensive market strategies in a number of identified key markets, and its activities are designed to improve co-ordination among wood product associations seeking international opportunities for their members. Through an annual call-for-proposals process, FII invites association partners to compete to deliver project activities. Proposals are evaluated against FII's strategies and criteria and, if they meet the corporation's goals and objectives, annual funding agreements are established, with recipients managing the delivery of project activities.

In some cases, FII leads initiatives if this will result in more effective delivery or better services, such as the Network and the Dream Home China (DHC) project, which will provide a strong base for future market development in China. FII also commissions market research directly when necessary, and develops and maintains broadly focused multilingual marketing tools such as DVDs, publications, and websites.

Governance Structure

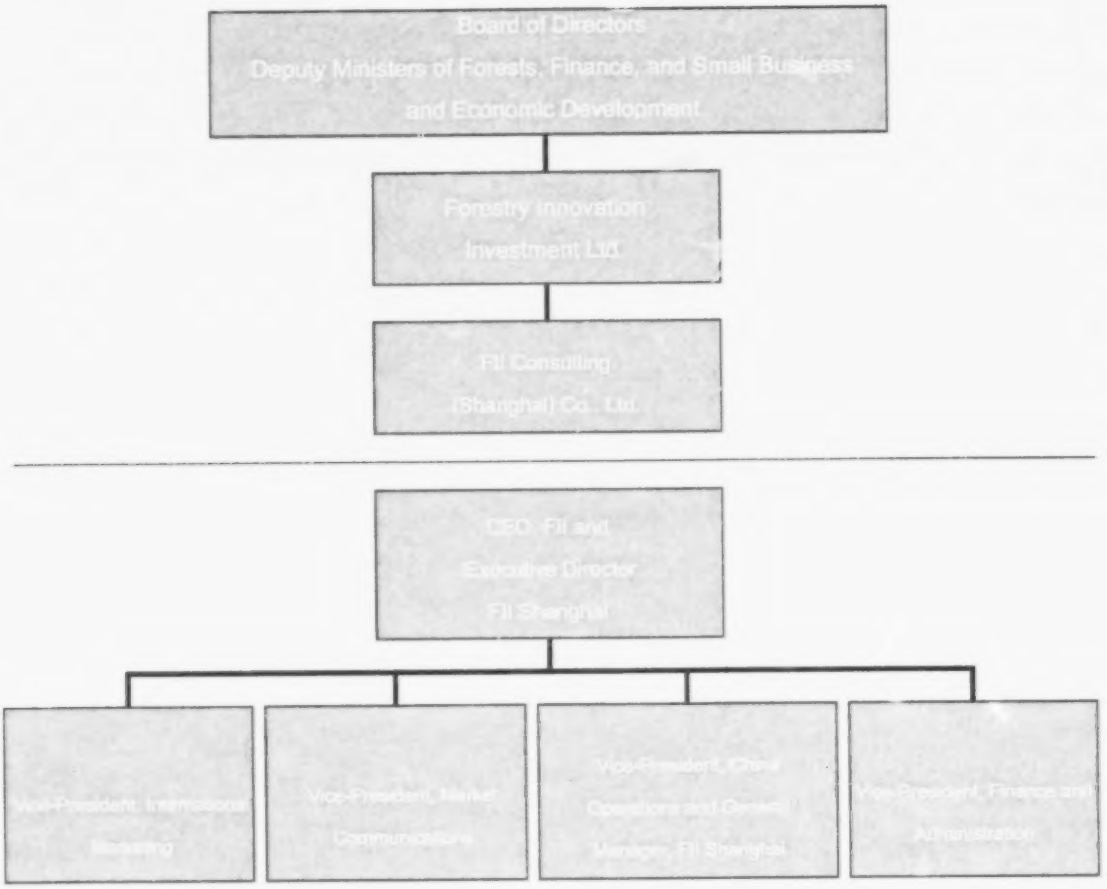
FII was incorporated on March 31, 2003 under the *Company Act of British Columbia*. It operates under an agreement with the Ministry of Forests, and is accountable to a board of directors consisting of the Deputy Ministers of Forests, Finance, and Small Business and Economic Development. The board has primary accountability for FII's corporate performance. It interprets FII's mandate as expressed by government, and provides strategic direction to the FII executive and business operations, as well as overseeing the financial management and reporting FII's progress in meeting its objectives.

FII Consulting (Shanghai) Co., Ltd.

The laws of the People's Republic of China (PRC) required that FII establish a wholly owned subsidiary in order to operate in China. In March 2004, FII set up FII Consulting (Shanghai) Co., Ltd., (FII Shanghai), a company registered in China for this purpose. As a Wholly Foreign Owned Enterprise, FII Shanghai is able to use facilities constructed in Shanghai to provide consulting services to FII and others, allowing FII to pursue its marketing and promotional activities in the Chinese market. FII's Chief Executive Officer is Executive Director of FII Shanghai, a position that has overall responsibility for the operations of the company and reports to the FII board of directors. This reporting relationship is based on the laws governing Wholly Foreign Owned Enterprise operations in the PRC.

FII's Vice-President, China Operations, is located in Shanghai, and holds the position of General Manager of FII Shanghai. This position manages the day-to-day affairs of the company. While FII Shanghai is a separate legal entity and is responsible for its submission of taxes and legal reporting to the PRC government, it is the delivery mechanism of FII's International Marketing and Product Development (IM/PD) programs, and FII controls the budget, resource allocation and corporate reporting of FII Shanghai to B.C. FII Shanghai's operations are contained within the service plan of FII as its role is to implement and deliver the goals and objectives of the International Marketing and Product Development programs of FII as they pertain to the China market.

FII's organizational structure[1]:


Board of Directors
Deputy Ministers of Forests, Finance, and Small Business and Economic Development
Forestry Innovation Investment Ltd.
FII Consulting (Shanghai) Co., Ltd.
CEO, FII and Executive Director FII Shanghai
Vice-President, International Marketing
Vice-President, Market Communications
Vice-President, China Operations and General Manager, FII Shanghai
Vice-President, Finance and Administration

Changes in service plan structure – FII has modified its Vision, Mission, Goals and Objectives to reflect recent changes within the corporation. These include the rationalization of the Vision and Mission statements to more closely reflect the evolving direction of the corporation; consolidation of some objectives; and refining performance measures to focus on the achievement of outcomes.

[1] Does not include supporting staff

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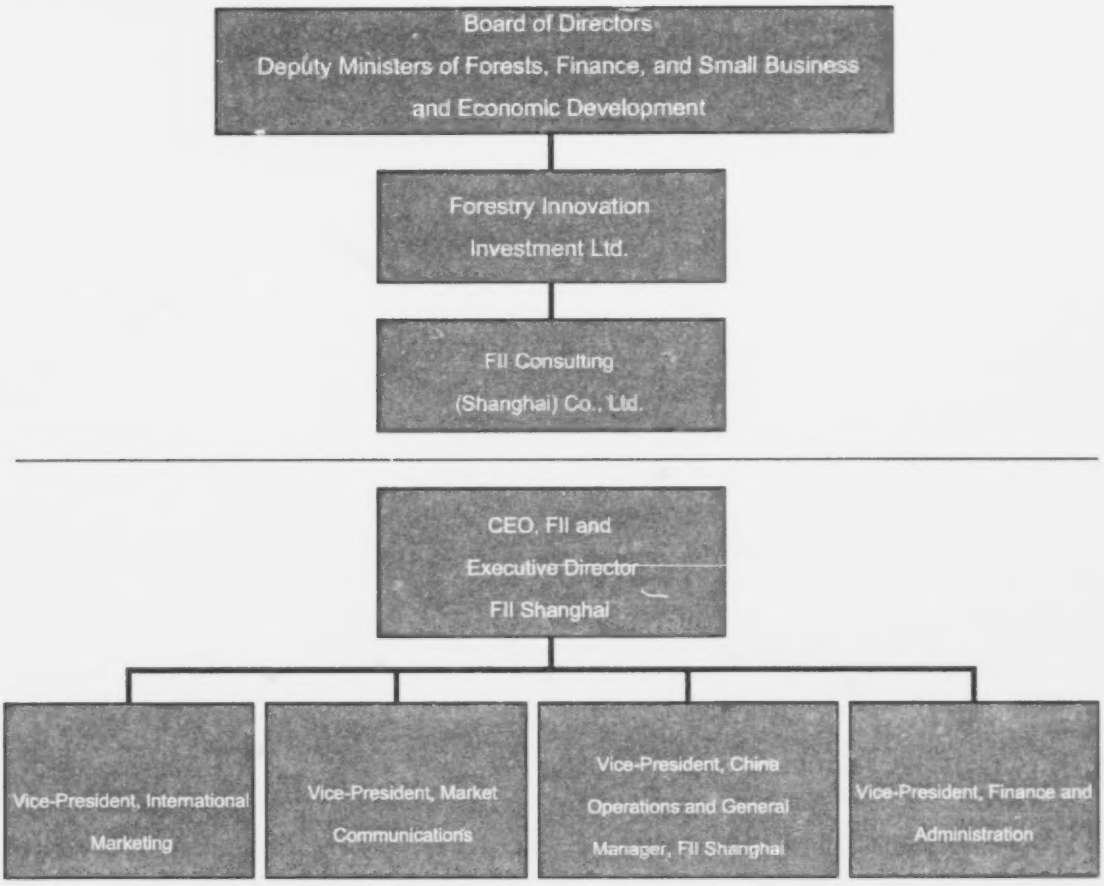
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B. STRATEGIC CONTEXT

Vision

Forestry Innovation Investment Ltd. is widely recognized for making vital contributions to the development and marketing of B.C. forest product, and is an internationally respected source of information about the province's forest management.

Mission

In partnership with governments and industry, FII's mission is to continuously improve the global competitiveness of B.C.'s forest sector by developing and implementing strategies for forest product development and marketing and by serving as a source of credible, factual information on B.C.'s forest management.

Values

Positive Impact of Investments – FII seeks an appropriate balance between short-term and longer-term investments to optimize FII's impact on British Columbia. FII programs and services are clearly linked to goals and objectives and represent an appropriate role for government.

Flexibility and Innovation – FII encourages innovative approaches and adaptation to respond to changing circumstances both within the organization and among partner operations.

Focus on Partnerships – FII works in partnership with internationally recognized forest industry associations ensuring that FII services and functions are efficiently delivered in a co-ordinated manner that enables funds to be used to address priority issues and needs of the forest sector.

Continuous Improvement – FII staff learn from the past and improve the effectiveness and efficiency of FII programs by optimizing the use of resources by recipients and FII.

Accountability, Fairness, Competitiveness and Transparency – FII establishes credible structures and processes, sets performance-based standards and measures, implements compliance monitoring, audits and reports to enable and demonstrate cost-effective progress towards goals and objectives. Staff establish open and understandable decision-making and investment processes, and ensures that FII policies on competitive tendering are applied.

Integrity and Credibility – Projects and services are delivered by capable, motivated individuals who focus on ensuring that the products created are credible and useful.

Planning Context

Supporting B.C.'s Forest Economy

The forest industry is key to B.C.'s economic well-being. In 2002, the industry represented 7.7 per cent of the provincial gross domestic product (GDP), or $8.98 billion in current dollars, with direct employment of 78,300 and an estimated 156,600 indirect jobs. B.C. produces a wide range of forest products, the most significant being SPF (spruce, pine, fir), coastal whitewood (largely hemlock and fir) and WRC (western red cedar). The United States is the largest export market for B.C.'s SPF and WRC, and Japan accounts for a significant proportion of coastal whitewood products. Forest products are the province's most important export commodity, accounting for $12.6 billion, or half of all B.C. exports in 2003. FII works with and represents all participants in B.C.'s forest economy, including industry, all levels of government, and communities.

Operating in an International Context

There are unique challenges involved in building successful business relationships in international markets – from understanding cultural differences to recognizing different business protocols and laws. Some foreign markets have uncertainties in political or economic environments and potential currency rate fluctuations, which have to be considered.

Maintaining access to key existing markets and developing new ones often means overcoming misconceptions about forest products and practices, and wood-based construction. Barriers in emerging markets include fire codes, seismic characteristics, phytosanitary measures and concerns regarding wood's reliability and durability in some climates. In some markets, developers, builders and regulators may be unfamiliar with wood construction products and techniques. FII and its forest sector partners continually assess this broader operating context to identify strategic opportunities and potential barriers to be overcome.

Dealing with Competition

For decades, the world market for forest products was largely supplied by a handful of producing countries with Canada accounting for a large share of the world's export trade. Today, many countries are entering key B.C. markets as new competitors, causing pressure on prices and severe competition for market share in many product categories.

At the same time, wood is facing competition from suppliers of substitute products such as concrete, steel and plastics. FII and its partners often work closely with customers to understand and respond to their needs, investing in new and improved products which solve product or application problems. FII makes sure customers around the world know that B.C. can deliver a secure supply of high-quality forest products, and that wood is both versatile and the best choice for the environment.

Promoting B.C.'s Sustainable Forest Management

Customers want assurance that B.C. products come from sustainably managed forests. The Province, as steward of 95 per cent of B.C.'s land base, must provide credible, neutral and timely information to show that Crown forests are well managed, and that wood from these forests is an environmentally superior building choice.

As more jurisdictions encourage green building, and more companies examine the source of their forest products, B.C. is well positioned due to its stringent forest policies and high level of third-party forest management certification. The province has a unique opportunity to showcase wood from B.C. forests as the best building choice for the environment when it hosts the 2010 Winter Olympic and Paralympic Games in Vancouver and Whistler. FII will continue to work with industry partners so that B.C. can solidify and capitalize on its reputation as a leader in the sustainable management of forests and producer of high-quality and competitive forest products.

Keeping Pace with Change

B.C.'s forest economy is in the midst of major changes. Government is implementing its Forestry Revitalization Plan to respond to new market demands, and has introduced the results-based *Forest and Range Practices Act*, which will maintain the province's high level of environmental protection in a more efficient and effective manner.

At the same time, B.C. is responding to an unprecedented epidemic of the mountain pine beetle, the aftermath to the 2003 and 2004 wildfires and other forest health agents that have affected a large volume of timber. FII is focusing its efforts on the mountain pine beetle affected timber, and is working with industry and government to find new markets and products for this wood, and confirm the quality of the resulting products.

C. GOALS, OBJECTIVES, STRATEGIES AND TARGETS

Forestry Innovation Investment Ltd. expects to fulfill its mission and vision by achieving four goals.

Goal 1:	**Increased demand for B.C. wood products.**
Goal 2:	**An international reputation as a leader in sustainable forest management**
Goal 3:	**A co-ordinated approach to market development that optimizes partner and recipient contributions.**
Goal 4:	**An effective, well-managed organization.**

The first three goals set the stage for program activities and the fourth reflects the internal operations of the company in pursuing the other goals. FII is continuously streamlining and consolidating its work so program activities complement and support each other. This section provides details on each goal and objective, including the strategies to achieve them, and performance measures and targets over the next three years.

The goals, objectives, strategies, performance measures and targets for expected results (outcomes) are the basis for FII's public accountability. The annual service plan report will compare actual performance with these targets. To varying degrees, achieving these targets depends on factors FII cannot control, such as global trade developments, exchange rates, global security issues and local political climates. Forest and land-use policy developments can also affect the scope and design of some FII investments, or lead to new priorities.

Performance measures have been refined for 2005/06, with greater focus on reporting outcomes for a few, critical aspects of FII's performance. FII uses other performance measures to support business and investment planning and program management, and will continue to draw on market information and strategic studies to strengthen performance targets.

Goal 1: Increased demand for B.C. wood products.

B.C.'s forest sector must be able to compete successfully in the global marketplace. The major focus of investments under Goal 1 will be to address market barriers, enhance the competitiveness of wood products manufacturers and improve customer awareness and interest through effective marketing. These services are expected to create and maintain opportunities for B.C. wood product manufacturers to improve their performance in existing and new international markets.

Key Outcome Indicators	Baseline/ Current Year (Benchmark)	Targets		
		2005/06	2006/07	2007/08
❑ Value of wood product sales (Cdn. $) to key markets	Value of wood product exports (2003): Taiwan, China and Korea: $136 million	+10%	+10%	+10%
❑ Market share (by volume for key markets)	B.C.'s share of the softwood lumber market in the US: 18% (2003)	18%	18%	18%
	B.C.'s share of the softwood lumber imports in Japan: 39.7% (2003)	40%	40%	40%

Note: The key outcome indicators developed at the goal level provide a broad measure of industry performance in key markets. While FII activities contribute to performance, other factors can play a more significant role such as trade negotiations, currency fluctuations and competitor pricing. Targets for 2005/06 – 2007/08 were determined by the Ministry of Forests and have been adopted by FII.

Objective 1: Maintain or improve access to international markets for B.C. wood product manufacturers.

FII investments support activities that identify and remove existing and emerging technical and non-tariff barriers to markets. In new and developing markets, the focus will be to work with potential trading partners and agencies to identify and address policies, building codes, and other barriers that prevent or restrict the ability of B.C. producers to access markets. In existing markets, efforts will focus on maintaining and increasing market access or, where applicable, reducing declining market share by proactively addressing emerging threats.

Strategies:

- ❑ Collect comprehensive information to identify technical and non-tariff market barriers.
- ❑ Develop and implement strategies to remove technical and non-tariff barriers that affect market access.

Performance Measures	Baseline/ Current Year (Benchmark)	Targets		
		2005/06	2006/07	2007/08
❑ Level of market access in target markets	Market access index under development. Baseline assessments underway for: ❑ China ❑ South Korea ❑ Japan	Inventory of market barriers and priorities identified Market access index implemented. Number of barriers removed to be determined (tbd)	Improvement in market access index relative to 2005/06. Number of barriers removed tbd	Improvement in market access index relative to 2006/07. Number of barriers removed tbd

Objective 2: Position B.C. as a leader in wood product development, quality and manufacturing efficiency.

B.C. must continue to develop a culture of innovation to ensure its wood products offer high quality, respond to market opportunities, and are produced efficiently to derive the highest value from the forest resource. Forest pathogens and natural disturbance agents such as the mountain pine beetle, other insects and fire have affected a huge volume of timber in B.C. presenting both a marketing challenge and potential opportunities.

Strategies:

- ❑ Identify and test innovative applications for new wood products.
- ❑ Develop and test forest products and manufacturing processes including products derived from wood affected by natural disturbance agents, in particular, mountain pine beetle affected timber.
- ❑ Deliver technical knowledge to increase productivity, improve product quality, develop new products and reduce manufacturing costs.
- ❑ Showcase BC wood products in the 2010 Olympics.
- ❑ Investigate opportunities for non-timber use of wood.

Performance Measure	Baseline/Current Year (Benchmark)	Targets		
		[illegible]	[illegible]	[illegible]
❑ Positive return on investment for FII-funded projects	Technology Transfer Program has a positive return on investment. For every dollar invested by FII: • $2 in economic benefits generated in year 1 • $4 in economic benefits generated within the first three years of the investment.	ROI realized by FII investments is higher than baseline. ROI target tbd	ROI realized by FII investments is higher than baseline. ROI target tbd	ROI realized by FII investments is higher than baseline. ROI target tbd
❑ Market opportunities found for wood affected by Mountain Pine Beetle (MPB)	Research and confirm the basic qualities of MPB-affected wood, identify strategies for customers to accept product. (focus on Asian markets)	• Analyze the qualities of MPB-affected wood • Strategy for promoting the optimum use of MPB-affected wood.	Implement Strategy.	Increased export opportunity for B.C. products made from wood affected by natural disturbance agents. Percentage target tbd

Note: Where targets are under development, the performance measure is new or an increased focus has been placed on developing quantitative performance measures. Under FII's current delivery model, industry associations deliver most of the services that support the achievement of targets. Consequently, targets must be developed in collaboration with industry associations. However, this will not occur until the 2005/06 call for proposals is completed and funding decisions are announced in April of 2005.

Objective 3: Increase market acceptance and demand for BC forest products in existing and emerging markets

FII has committed to developing strategies in priority markets to identify and improve upon current levels of market acceptance and demand for B.C. forest products. Investments will be made in both existing and emerging markets. Within existing markets such as the United States and Japan, activities will be geared to maintaining and improving market share, or, where applicable, reducing declining market share, by promoting B.C. forest products as the preferred alternative to competing wood products or substitute products. In new or developing markets, FII investments will typically be used to develop customer awareness of the quality of B.C. wood products and their uses, which is an essential first step to strengthening demand.

Strategies:

- ❑ Collect comprehensive market information and develop market-specific strategies.
- ❑ Determine level of market acceptance for new and existing products and applications.
- ❑ Increase market awareness, acceptance and demand.
- ❑ Implement Dream Home China

Performance Measures	Baseline: 2003 (Benchmark)	Targets		
		2006/07	2007/08	2008/09
Industry Performance Indicators				
United States ❑ Volume/value of Western Red Cedar ❑ Volume/value of BC Value Added products Note: specific indicators of performance are under development	Specific targets currently being developed by FII with our funding recipients – to be determined with the proposals received under the 2005/06 call for proposals	tbd	tbd	tbd
Japan ❑ Volume of SPF exported	1,750,000m^3	Increase by 10%	Increase by 10%	Increase by 10%
❑ Volume of Coastal Hem-Fir exported	400,000 m^3	Specific targets tbd by FII with our funding recipients	tbd	tbd

Performance Measures	Baseline/ 2003 (Benchmark)	Targets		
		2005/06	2006/07	2007/08
China ❑ Value of SPF exported	Expand market for structural lumber in China from $5M in 2003/04 to $50M by 2008/09	progress towards target	progress towards target	progress towards target
❑ Volume/value of Coastal product (specific indicator of performance is under development)	Specific targets currently being developed by FII with our funding recipients – to be determined with the proposals received under the 2005/06 call for proposals	tbd	tbd	tbd
South Korea ❑ Value and Volume of BC wood product exports	$27 million; 116,000 m^3	Specific targets to be developed by FII with our funding recipients by March 31, 2005	tbd	tbd
FII Performance Measures				
❑ Level of market/ customer acceptance for new/existing B.C. wood products	Formal customer survey is being initiated in 2004/05, and will be completed by March 31, 2005.	Higher level (1-2% increase) of acceptance of key target groups.	Higher level (2 – 5% increase) of acceptance of key target groups.	Higher level (2 -5% increase) of acceptance of key target groups.
❑ Completion of Dream Home China	Phase 1 complete – Demonstration Centre completed	2nd phase completed (villas built).	Hybrid[2] multi-family structure built.	

Note: The industry performance indicators provide a broad measure of industry performance in key markets. While FII activities contribute to performance, other factors can play a more significant role such as trade negotiations, currency fluctuations, interest rates and competitor pricing. Targets for 2005/06 – 2007/08 were determined and set by industry. Under FII's current delivery model, industry associations deliver most of the services that support the achievement of the identified targets.

[2] Hybrid structure includes elements of wood construction (e.g. wood roof or inside walls) with concrete/steel construction (of exterior walls)

Goal 2: An international reputation as a leader in sustainable forest management (SFM).

B.C. is positioned as a global leader in sustaining environmental values and forest resources. The province's commitment to sustainable forest management represents a significant advantage as customers are increasingly factoring environmental practices into purchasing decisions. FII is committed to providing a broad audience, especially customers, with neutral, factual and credible information about forest management in B.C to support their purchasing decisions.

Objective 1: Increase international awareness and support of B.C.'s forest management practices and performance.

Strategies:

- ❑ Provide international customers with timely, credible information regarding B.C. forest practices.
- ❑ Monitor and analyze mainstream and trade media.
- ❑ Conduct in-market activities through trade shows, seminars and meetings with customers.
- ❑ Produce technically accurate and neutral information products for a broad international and domestic audience.

Performance Measures	Baseline (Current Year Data/Source)	Targets		
		2004/05	2006/07	2007/08
❑ Percentage of customers who perceive B.C. as a leader in SFM	Review of customers and opinion leaders concluded environmental factors have a greater influence over purchasing decisions than they did three years ago. There is broad consensus among buyers that forest practices in B.C. have improved over the past couple of years. Formal survey to be conducted late in fiscal year 2004/05.	Increase in the percentage of customers who perceive B.C. as a leader in SFM relative to the baseline.	Increase in the percentage of customers who perceive B.C. as a leader in SFM relative to the baseline.	Increase in the percentage of customers who perceive B.C. as a leader in SFM relative to the baseline.
❑ Uptake of information materials	Approximately 20,000 visits to www.bcforestinformationn.com website anticipated in 2004/05 Implement testing of booth visitor reaction.	5% increase in website visits during key information campaigns.	5% increase in website visits during key information campaigns.	5% increase in website visits during key information campaigns.

Goal 3: A co-ordinated approach to market development that optimizes partner and recipient contributions.

Self-reliance and a culture of innovation are essential to the long-term competitiveness of B.C.'s forest sector. FII works in partnership with government and the forest sector to improve the level of co-ordination with key partners, establishing greater cohesion within the forest sector and increasing the level of partner participation in FII initiatives.

Objective 1: Increased level of partner support for FII-funded projects and initiatives.

Strategies:

- ❑ Cost share projects with industry and other partners.
- ❑ Identify and develop sector-wide options to increase the level of partner support for international marketing.

Performance Measures	Baseline/ Current Year (Benchmark)	Targets		
		2005/06	2006/07	2007/08
❑ Leveraged funds as a percentage of total project costs	Baseline for leveraging: 15% of total project costs paid by industry for IM/PD[3] projects focused on projects in markets outside of North America. 30% for IM/PD projects in the U.S.	tbd tbd	tbd tbd	tbd tbd
❑ Percentage of industry partners satisfied or fully satisfied with services provided by FII	Baseline to be developed in 2004/05, through a survey to be conducted by March 31, 2005 An informal stakeholder review conducted in 2004/05 indicated that stakeholders were generally supportive.	5% improvement in performance relative to baseline.	5% improvement in performance relative to 2005/06.	5% improvement in performance relative to 2006/07.

[3] IM/PD refers to the International Marketing and Product Development Programs managed by FII.

Objective 2: Increased co-ordination among forest sector partners.

Strategies:

- ❑ Strengthen the linkages between forest industry partners by pursuing co-ordinated marketing initiatives (including Dream Home China) through forest sector associations.
- ❑ Work with federal, provincial and industry partners to identify and develop opportunities to co-ordinate programs and activities.
- ❑ Harmonize relevant FII programs with the Canada Wood Export Program.
- ❑ Initiate an advisory committee and rigorous supporting process to improve the quality of partner involvement in FII programs.

Performance Measures	Baseline: Current Year (Benchmark)	Targets		
		2005/06	2006/07	2007/08
❑ Value of projects funded through FII that support market strategies	Working with partners - establish market strategies: ☐ China ☐ Japan ☐ Korea ☐ Taiwan ☐ Europe	100% of projects are in compliance with relevant market strategies. Implementation of coordinated marketing strategy in China with partners (specific to FII Shanghai).	100% of projects are in compliance with relevant market strategies. Review of market strategies.	100% of projects are in compliance with relevant market strategies.
❑ Level of industry support for coordinated trade show strategy	Coordinated tradeshow strategy developed and implemented. 22 industry/ 5 association participants	Level of participation maintained or grown	Level of participation maintained or grown	Level of participation maintained or grown
❑ Coordinated approach to the use of the Dream Home China (DHC) facility	Consolidate offices of FII and industry associations in Shanghai and develop 3-year plan for the use of the (DHC) facility	Implement usage plan		

Goal 4: An effective, well-managed organization.

FII is a highly focused and dynamic organization that maintains flexibility to respond to emerging forest sector needs while maintaining low overhead and operating expenses. FII is committed to the development and implementation of sound business practices incorporating strong financial controls, a performance management framework, and a monitoring, audit and evaluation program built on a comprehensive risk assessment strategy, all developed in accordance with government policies and guidelines for the respective areas.

Objective 1: A results-focused organization.

Strategies:

- ❑ Develop and implement a performance-based management and budgeting framework.
- ❑ Develop and implement a continuous improvement strategy to optimize efficiency and cost-effectiveness.
- ❑ Review performance measures used in similar organization to establish benchmarks

Objective 2: An accountable and transparent organization.

Strategies:

- ❑ Conduct comprehensive risk assessments across the whole corporation.
- ❑ Monitor, audit and evaluate FII highest-priority projects and programs as identified through the risk assessments.
- ❑ Ensure regular and accurate reporting on the results of investments in support of corporate goals and objectives and in accordance with government and contractual requirements.

Performance Measures	Baseline (Current Year (Benchmark))	Targets		
		[illegible]	[illegible]	[illegible]
❑ FII performance in relation to the OAG's eight reporting principles[4]	OAG first report on FII's performance will be for the 2004/05 reporting year. This will establish a baseline.	Incremental improvement in the quality of performance reporting for at least one reporting principle.	Incremental improvement in the quality of performance reporting for at least one reporting principle.	Incremental improvement in the quality of performance reporting for at least one reporting principle.
❑ Comprehensive and meaningful policies and procedures that guide the conduct of individual employees and the organization	90% of policies and procedures in place.	100% of policies and procedures in place.	Audits show compliance. Action taken to implement any recommendations	Audits show compliance. Action taken to implement any recommendations.

[4] The eight reporting principles are: explain the public purpose served; link goals and results; focus on a few, critical aspects of performance; relate results to risk and capacity; link resources, strategies and results; provide comparative information; present credible information, fairly interpreted; and disclose the basis for key reporting judgements.

D. CONSISTENCY WITH GOVERNMENT'S STRATEGIC PLAN

The linkages between FII goals, objectives and strategies and the Province's Strategic Plan are presented below. For each of the relevant provincial strategies, FII goals, objectives and strategies are identified as appropriate.

Government's Goal 1: A Strong and Vibrant Provincial Economy

Strategy: Innovation and Economic Growth		
Provincial Strategies	**FII Objectives**	**2005/06 – 2007/08 Service Plan**
❑ Support a culture of innovation that transfers science and technology from the research stage through to development and the commercial marketplace	❑ Position BC as a leader in wood product development, quality and manufacturing efficiency.	❑ Refer to Goal 1
❑ Develop and implement a long-term economic development strategy	❑ Maintain of improve access to international markets for B.C. wood product manufacturers. ❑ Position BC as a leader in wood product development, quality and manufacturing efficiency. ❑ Increase market acceptance and demand for BC forest products in emerging and existing markets. ❑ Increase international awareness and support of B.C.'s forest management practices and performance.	❑ Refer to Goals 1 and 2
❑ Reform the province's Crown corporations so that they focus on public service efficiency and effective service delivery	❑ Increase level of partner support for FII-funded projects and initiatives. ❑ Increase co-ordination among forest sector partners. ❑ Be a results focused organization. ❑ Be an accountable and transparent organization.	❑ Refer to Goals 3 and 4

E. SUMMARY FINANCIAL OUTLOOK

FII's programs are part of the Forest Investment sub-vote of the Ministry of Forests. As such, FII is subject to an allocation of the annual appropriation provided for this purpose. FII receives its funding under an annual agreement with the Minister of Forests, based on the appropriated amount, and each year, is required to return any unspent appropriated funds to the province so no excess of funds over expenditures is shown. The following table provides a summary of FII's resource allocations. In the absence of information regarding future years, a constant budget is shown for all 3 years forecasted, with projected spending patterns remaining consistent with the current year.

Forestry Innovation Investment Ltd.
2005/06 - 2007/08 Consolidated Budget Summary - ($ '000s)[5]

	2004/05 Budget	2004/05 Projected	2005/06	2006/07	2007/08
Revenues – Province of B.C.	**18,707**	**18,750**	**18,750**	**18,750**	**18,750**
Operating Expenses					
Marketing	8,613	8613	8,613	8,613	8,613
Product Development	6,220	6,252	6,459	6,459	6,459
Market Communications – B.C.MON	2,871	2,871	2,871	2,871	2,871
Governance and Corporate Services[6]	796	807	807	807	807
Transition of Research Program	207	207	-	-	-
Total Expenditures	**18,707**	**18,750**	**18,750**	**18,750**	**18,750**
Excess of Funding Over Expenditures	**0**	**0**	**0**	**0**	**0**
PROGRAM STAFF[7]					
Marketing[8]	5	5	5.5	5.5	5.5
Market Communications	4.5	4.5	3.5	3.5	3.5
Governance and Corporate Services	1.5	2.5	5	5	5
Total	11	12	14	14	14

[5] This table includes the consolidated budget of FII Ltd. and its wholly owned subsidiary, FII Consulting (Shanghai) Co., Ltd. Certain forecasted numbers are different from the previous year based on a reallocation of resources among programs, particularly to recognize the use of the Dream Home China facilities in Shanghai

[6] Governance and Corporate Services includes the salaries and benefits for staff, except where they are involved in program delivery (e.g., B.C. Market Outreach Network, Dream Home China). It also includes the finance, administration, information technology and human resource support services for all corporate core businesses.

[7] During 2004/05, as FII had evolved, management determined that it should replace certain contracted resources by staff, resulting in increased numbers of staff in the future years, particularly in the area of governance and corporate services.

[8] The Marketing staff includes those working in International Marketing, Product Development and FII Shanghai.

FII Consulting (Shanghai) Co., Ltd.
2005/06 - 2007/08– Budget Summary - ($ '000s)

	2004/05 Budget	2004/05 Projected	2005/06	2006/07	2007/08
Revenues					
Forestry Innovation Investment Ltd.	**3,000**	**3,000**	**2,000**	**2,000**	**2,000**
Operating Expenses					
Marketing	2,250	2,250	1,000	1,000	1,000
China Operations[9]	750	750	1,000	1,000	1,000
Total Expenditures	**3,000**	**3,000**	**2,000**	**2,000**	**2,000**
Excess of Funding Over Expenditures	**0**	**0**	**0**	**0**	**0**
PROGRAM STAFF					
Marketing/Operations[10]	2	2	2	2	2

Note that, as FII Shanghai exists purely as a program delivery mechanism used by the FII international marketing and product development programs, the administration component is not shown separately, but is included as a part of the China operations. The increase in China operations is due to the expensing of the prepaid lease relating to the demonstration centre and villas.

Forecast Risks and Sensitivities

1. FII is funded by an appropriation provided to its programs through the Ministry of Forests and the annual estimates process in the legislature. While this document presents a three-year plan, under the Agreement with the Ministry of Forests, FII operates one year at a time, with future years contingent on the vote in the legislature, and the continuance of its agreement with the ministry.
2. FII is committed to funding the Dream Home China project through FII Shanghai for a period of three years from the date of opening, subject to the annual appropriation being sufficient to support the project The commencement of the lease period under which the Demonstration Centre of the project will operate is anticipated to be early in the next fiscal year.
3. While operating in a foreign country, exchange rate variations can have a significant impact on the funding of operations, particularly with a strong currency such as the Chinese Renminbi, which is under some pressure to revalue FII is considering various options with respect to mitigating this risk.

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[9] The China Operations includes office expenditures – no separate amount is shown for administration as FII Shanghai is merely a marketing program delivery mechanism of FII Ltd.

[10] There are two permanent staff members working in FII Shanghai, two other people in the office are working on a contract basis, hired through a local employment agency.